



linea directa

Línea Directa Group Sustainable Investment Policy



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Important information about this document	
Name of the document	Sustainable Investment Policy
Related section of the Code of Ethics	-
Related portions of other policies	-
Rules and standards superseded	-
Related rules and standards	-
Business unit or function affected	Línea Directa Group
Personnel affected	Línea Directa Group
Main area responsible for monitoring	Investments Department
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Approved by	Board of Directors

1. INTRODUCTION

In a context marked by growing sensitivity and awareness of environmental, social and corporate governance issues ("ESG"), this Policy defines the sustainable and responsible approach to the decision-making process for carrying out Línea Directa Group investments.

Taking ESG variables and criteria into account in investment decisions allows for a more comprehensive and holistic risk management, while generating value creation opportunities for investors, for other stakeholders of the Group and for society as a whole.

Línea Directa Group, through the principles and criteria defined in this document, aims to minimise the negative impact that its investments may have on both society and the environment. In turn, this Policy will allow ESG matters to be used in the definition of a more sustainable investment portfolio over time and with a lower ESG risk.

To this end, this document details the criteria to be taken into account when integrating ESG variables into this process, and it establishes important aspects such as the exercise of voting rights and the internal control and monitoring of the Policy itself.

Línea Directa Group's purpose in defining and implementing this Policy is to maximise the risk-return balance, also taking into account ESG risks in its investments, and thus enabling a more sustainable operation, supporting certain activities with a positive impact and avoiding or limiting those whose impact is adverse and which may affect the confidence of its stakeholders.

2. REFERENCE FRAMEWORK

This Policy, which defines the framework of action for responsible and sustainable Línea Directa Group investments, is based on best practices, including regulations, conventions and frameworks of reference at both national and international level:

- United Nations Principles for Responsible Investment (PRI)
- United Nations Global Compact
- United Nations 2030 Agenda and Sustainable Development Goals
- Paris Agreement to combat climate change and to accelerate and intensify actions and investments needed for a sustainable low-carbon future, signed in December 2015 (COP21)
- Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- Recommendations of the Financial Stability Board regarding the Task Force on Climate-related Financial Disclosures (TCFD)
- Recommendations of the Spanish National Securities Market Commission (CNMV) for listed companies.

3. SCOPE

This Policy applies to each and every one of the instruments in Línea Directa Group's investment portfolio as well as to potential new investments that may be made, differentiating by type of asset (sovereign debt, corporate, real estate and any other investment assets) as defined in section "5.2 Considerations by asset type".

In the case of funds managed by third parties, for which Línea Directa Group is not directly responsible, the Group will assess the policies of each of these funds to evaluate the consistency between policies and thus avoid making investments in funds with ESG criteria that are misaligned or contrary to the commitments defined in this document.

4. GENERAL PRINCIPLES

Línea Directa Group has designed this Policy based on the United Nations Principles for Responsible Investment (PRI). The general principles that govern this Policy are:

1. To incorporate ESG criteria in investment analysis,
2. To promote effectiveness and objectivity in the application of ESG criteria in the Group's investment decisions,
3. To actively exercise investor rights and include ESG criteria in the Group's policies and decision-making processes,
4. To request ESG information from third parties regarding potential investments,
5. To regularly inform stakeholders about the ESG characteristics of the Group's investment portfolio.

5. CRITERIA FOR APPLICATION

Línea Directa Group has defined the criteria and commitments it undertakes through this Policy, differentiating, firstly, between existing investments and new investments to be undertaken, and subsequently, between types of assets and sensitive sectors.

5.1 Considerations: existing portfolio and future investments

5.1.1 Existing investment portfolio

The existing portfolio will be evaluated quarterly by the Investment department using information from an external tool endorsed by an independent third party, an expert in the field, which provides an assessment of the ESG aspects of the investment portfolio, taking into consideration at least the following factors:

- ESG risk of the portfolio (overall rating and by asset type).
- Exposure to sensitive sectors (Coal, Oil & Gas and Defence & Controversial Weapons, among others).
- Exposure to greenhouse gas emissions.
- Governance and public information criteria.

Where periodic evaluations result in a "not acceptable" assessment for any of the parameters considered, or where dispute analysis indicates that the Group may be exposed to a risk factor associated with such a position, details of the compromised position will be reported to the Chief Financial Officer, the Investment Committee or the Board of Directors for decision, depending on the amount of investment involved:

- Whether to maintain the position and monitor it closely;
- Whether to divest the position.

5.1.2 New investments

When Línea Directa Group analyses a new investment, a case-by-case ESG analysis will be carried out using the external tool mentioned above, in order to determine whether there are any factors that may pose a risk to the Group.

In the event that an ESG risk is identified as "not acceptable" in the analysis, depending on the characteristics of the investment, it will be escalated to the Chief Financial Officer, the Investment Committee or the Board of Directors as appropriate, who will analyse the detail of the potential investment and decide whether to invest and monitor it closely or to seek an alternative.

5.2 Considerations by asset type

5.2.1 Sovereign debt

Investments in sovereign debt or country debt will be based on whether the country is a member of the Organisation for Economic Co-operation and Development (OECD).

For non-member countries, the potential ESG risk for corruption, human rights, climate commitments or environmental damage, among others, will be studied by monitoring the available information and possible controversies from verified sources.

5.2.2 Corporate: equities and fixed income

In view of potential investments in companies, the ESG risk of such companies and their exposure to sensitive sectors will be analysed, with a particular focus on exposure to the sectors defined in section "5.3 Sensitive sectors".

5.2.3 Real estate assets

Investments in real estate assets shall take into account the energy rating of the asset and the sectors of activity in which potential lessees of the asset may operate.

5.2.4 Other types of financial instruments

In the case of illiquid or alternative products, information will be requested from the entity managing the financial instrument as part of the due diligence process to assess whether the policy of the financial instrument is in line with this Policy in terms of ESG.

5.3 Sensitive sectors

Línea Directa Group has carried out an analysis of the sectors of exposure that could entail ESG risk in order to restrict and limit its investments. In particular, investments in the following business activities will be restricted and limited:

- Organisations producing and/or distributing defence material (arms, ammunition and explosives intended for military use) and controversial weapons (anti-personnel mines, chemical, biological or nuclear weapons, cluster bombs, etc.).
- In response to the targets for decarbonisation of the economy as defined in the Paris Agreement, and the recommendations of the Intergovernmental Panel on Climate Change (IPCC), Línea Directa Group, in its support for the transition to a zero-net-emissions economy by 2050, will limit the proportion of the portfolio with exposure to the following activities:
 - Production of electrical, thermal or automotive energy from coal combustion (as well as extraction and infrastructure), as coal is the fossil fuel with the greatest impact on climate change.

- Exploration, production, processing, transport and/or extraction of hydrocarbons (gas and oil), with a special focus on the following elements:
 - Oil sands
 - Shale oil and gas
 - Arctic oil and gas
 - Ultra-deepwater oil and gas
- Other sensitive sectors (adult entertainment, gambling and betting, animal testing, pesticides, mining, alcohol and tobacco).

5.4 Divestment plan

In the recurring quarterly reviews, if a risk is identified as "not acceptable", an in-depth assessment will be carried out, which will be used by the Investment Committee to analyse and decide on the possibility of divestment.

5.5 Voting rights

Línea Directa Group will exercise its right to vote after verifying that the decision to be taken complies with the framework of this Policy. In doing so, it will assess all necessary information, including ESG considerations, in order to determine how it will vote.

6. GOVERNANCE MODEL

Línea Directa Group has an Investment Department responsible for the implementation of ESG criteria in the process of seeking investment opportunities, as well as the analysis and evaluation of these ESG criteria in each potential investment under consideration. This department is also responsible for conducting a quarterly ESG assessment of the portfolio.

The Investment Department will report monthly, through the department head, to the Group's Investment Committee. In turn, the Investment Committee will ensure that the management of investments with ESG criteria is carried out in accordance with the provisions of this Policy and will take the appropriate decisions based on the characteristics of the investment, approving those that fall within its competence, in accordance with the applicable law and internal rules and regulations.

The Investment Committee, through the Chief Financial Officer, shall report periodically, at least every 3 months, on the implementation of this Policy to the Board of Directors, and shall submit to the Board of Directors the approval of investments that fall within the competence of the Board of Directors in accordance with the applicable law and internal regulations.

7. COMMUNICATION

This Policy will be disseminated to all Group companies and will be made available to the organisation's stakeholders via the Intranet and on the corporate website.

8. APPROVAL AND REVIEW

The Investment Committee is responsible for periodically reviewing this Policy and, when there is a change of any kind that requires the Policy to be updated or modified, for assessing whether its content continues to be suitable, in order to enable it to be implemented in accordance with the established guidelines. The proposed updates shall be submitted to the Board of Directors for approval, following a report from the Audit and Compliance Committee and the Appointments, Remuneration and Corporate Governance Committee.

This Policy was approved by the Board of Directors of Línea Directa Aseguradora S.A. and will be effective from the date of its approval.